Corporate Relations 1983

M E D I A M O N I T O R April 8, 1983

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Chicago Tribune, April 1, 1983

Milwaukee Road files merger plan

By Carol Jouzaitis

THE CHICAGO, Milwaukee, St. Paul and Pacific Railroad Co. filed its revised reorganization plan in U.S. District Court Thursday, incorporating the Grand Trunk Corp.'s plan to acquire the bankrupt railroad and assume its $250 million debt.

Under the plan, the reorganized Milwaukee Road would operate a 3,100-mile Midwestern rail system as a subsidiary of the Grank Trunk, a unit of the Canadian-government-owned Canadian National railroad.

The plan requires approval of the court and the Interstate Commerce Commission. Proceedings are expected to be completed next year, said Richard B. Ogilvie, the former Illinois governor who is the Milwaukee Road's trustee.

COMBINED, the Milwaukee Road and Grank Trunk would operate 5,200 miles of main line in 11 states, grossing projected revenues of more than $1.3 billion in 1987, the Milwaukee Road said.

Projected pretax income would be $100 million, and combined assets would be $1.2 billion in 1987, the railroad said.

The Grand Trunk would assume the Milwaukee Road's debt in exchange for the Milwaukee Road's $498 million in assets still being operated as a railroad.

The railroad's remaining $80 million in assets, now abandoned, would be used to satisfy claims of creditors and to form a separate company whose stock would be distributed to present Milwaukee Road stockholders. Assets of the separate company would include the stock of the Milwaukee Land Co., a subsidiary of the Milwaukee Road.

THE RAILROAD has shrunk to one-third its former size by abandoning unprofitable lines in the West.

"We will be able to pay the creditors and, through consolidation with the Grand Trunk and affiliation with the Canadian National, we will preserve service on the Milwaukee Road and assure financial stability to benefit shippers and employees," Ogilvie said.

The Milwaukee Road this week announced it has reached understandings with bondholders to retire $138 million in debt. It also has received court approval to settle $22 million in past-due taxes for 90 cents on the dollar.

The new understandings with creditors mean the only major opposition to the plan will come from the Chicago & North Western Transportation Co., which has objected to competition from the Canadian government in its ownership of the Grand Trunk.

The Milwaukee Road has 5,000 employees, about the same number as the Grand Trunk, the railroad said.

Mr. R. Milton Clark
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APR 12 1983

Journal of Commerce, April 1, 1983

Milwaukee Road Files Reorganization Plan

Journal of Commerce Staff

The Interstate Commerce Commission and U.S. District Court in Illinois are studying the amended reorganization plan submitted by the bankrupt Milwaukee Road including conditions of that railroad's acquisition and payment of its creditors.

The plan submitted Thursday by Trustee Richard B. Ogilvie outlines purchase of the line by the Grand Trunk Corp. to form a 5,200-mile railroad system stretching around the Great Lakes from Duluth, Minn. to Detroit.

Conditions of the transfer of the Milwaukee Road's rail assets include assumption by Grand Trunk of $250 million of the existing debt of the Milwaukee Road, whose formal name is the Chicago, Milwaukee, St. Paul and Pacific Railroad Co.

The stock acquisition by Grand Trunk which is the American subsidiary of the Canadian National Railway Co. was announced in September 1982.

Some opposition is expected from competing rail carriers in the Midwest.

The plan, which a railroad spokesman characterized as a two-step approach, calls for creditors of the railroad to be paid almost $328 million by the end of 1984.

The line recently announced the reaching of agreements with some classes of bondholders outlining repayment of all principal plus amounts of interest which varied by settlement.

The revised agreement, which updates an earlier reorganization proposal offered in late 1981 after the initial plans were rejected in 1980, calls for the Grand Trunk to take only railroad operating assets as the rest of the company will continue to exist separately.

"We will be able to pay the creditors and, through consolidation with GTC and affiliation with CN, we will preserve service on the Milwaukee and assure financial stability to benefit shippers and employees," Mr. Ogilvie said.

The two railroads have been providing coordinated service to shippers since last June although no formal combination has been approved.

The Grand Trunk runs east of Chicago and another subsidiary of Canadian National, called the Duluth, Winnipeg and Pacific operates out of Canada into northern Minnesota.

Traffic World, April 4, 1983

Amended Reorganization Plan of Milwaukee, GTC Acquisition Plan, Filed

An amended reorganization plan for the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. (Milwaukee Road) together with the Grand Trunk Corporation's plan to acquire the bankrupt railroad, were filed March 31 with both the U.S. district court for the northern district of Illinois and the Interstate Commerce Commission.

Richard B. Ogilvie, trustee for the Milwaukee Road, said that the amended reorganization plan, including Grand Trunk's proposed acquisition of the newly reorganized Milwaukee Road, requires approval of the federal court and the ICC. The proceedings are expected to be completed sometime in 1984.

The ICC recently refused a request by the Chicago & North Western Transportation Co. that it include the Canadian government and Canadian National Railways as parties in GTC's proposed acquisition of the Milwaukee (T.W., Jan. 10, p. 43). Under the amended plan, the reorganized Milwaukee Road would operate a 3,100 mile midwestern railroad system as a subsidiary of the Grand Trunk. The trustee and GTC signed a stock acquisition agreement August 17, 1982.

The combined Milwaukee Road and Grand Trunk would operate 5,200 miles of mainline in the 11 states of Illinois, Michigan, Ohio, Indiana, Wisconsin, Minnesota, Iowa, Missouri, Kentucky, South Dakota and Kansas.

It is projected that the two rail systems would gross revenues in excess of $1.3 billion in 1987 with pre-tax income of $100 million. Combined assets would be $1.2 billion in 1987.

Grand Trunk is the holding company for the wholly owned American railroad subsidiaries of the Canadian National Railway Co., namely the Grand Trunk Western Railroad Co.; the Detroit, Toledo & Ironton Railroad; the Duluth, Winnipeg & Pacific Railway Co., and the Central Vermont Railway, with a total of 2,100 miles of mainline in operation.

Grand Trunk Western interchanges freight with the Milwaukee Road at Chicago, as does the DW & P at Duluth, Minn.

The reorganized Milwaukee Road would own assets related only to operation of the railroad. Remaining railroad assets would be used to satisfy claims of creditors and to form a separate company, the capital stock of which would be distributed to the Milwaukee's existing stockholders. The separate company's assets would include the stock of the Milwaukee Land Co., currently a subsidiary of the Milwaukee Road.

The trustee proposes paying creditors almost $328 million in cash by December 31, 1984.

John H. Burdakin, president of the GTC, which will acquire the Milwaukee Road said that acquisition of the Milwaukee "will strengthen both systems and allow us to provide competitive efficient service over an even larger area. The beauty of this transaction is the natural end-to-end fit of the Milwaukee with the DW & P and the GTW. This configuration will open new gateways and markets."

Since June, 1982, the Milwaukee Road and Grand Trunk have been providing coordinated expedited service to shippers in an 11-state region served by the two systems. Shippers which rely on movement of products and raw materials between Canada and the U. S. are also served. The amended plan contemplates continuation and improvement of that service.

It is estimated that the GTC/Milwaukee Road would extend their system hauls on 115,000 carloads of traffic, and attract nearly 14,000 new carloads by 1987.

Milwaukee Journal, March 29, 1983

Railroads of future: leaner, faster, more profitable

By Geoffrey W. Blaesing
of The Journal Staff

Wisconsin's railroads are about to enter a new era.

"The railroad industry is living in the 1900s and is about to live in the year 2000," said Worthington Smith, president of the Milwaukee Road, in Chicago. "I don't see the value in perpetuating the past."

In the past, railroad lines reached into virtually every hamlet of the state; with frequent stops by freight and passenger trains, the railroad depot was the center of activity in many towns.

Today, however, those passenger trains that served those depots have vanished. They have been replaced by buses or autos. While the federally operated Amtrak passenger trains serve many major cities, the service is much less than the railroads provided years ago.

Today, the emphasis is on freight. Railroads concentrate on moving freight quickly on a track, even if it means that products have to be shipped on truck from rural areas to railroad lines in the cities.

To the dismay of many proud cities and towns, railroads are pruning hundreds of miles of right-of-way from their systems, leaving just the more profitable main lines. Why shouldn't they, the railroads ask. Trucks can handle short hauls for many goods cheaper than railroads.

Where railroads shine is hauling heavy or bulky things — like coal, oil or auto parts.

Everyone involved with modern railroading seems to support the concept of a total transportation system — railroads, trucking companies, barge lines and airlines cooperating to move goods as quickly and cheaply as possible. They also think railroads should not be exempt from owning barge lines, truck lines or airlines.

It is a concept federal regulators are just now beginning to accept. The Interstate Commerce Commission, in a unanimous decision Jan. 6, opened the doors for cross-ownership of railoads and truck companies.

That kind of thinking is going to make Wisconsin's railroads healthier and wealthier in the future, according to officials of the North Western Railway, the Soo Line and The Milwaukee Road.

These three railroads operate most of the track in the state.

Transporation systems

The Milwaukee Road's Smith is a believer in the total transporation system.

"Why shouldn't we be offering a complete range of transportation," Smith asks. "Why compete between modes of transportation?"

He foresees the day when railroads will own trucking companies or vice versa.

"I don't see anything wrong with it," he says. "Look at the Canadian systems. They own steamships, truck lines, airlines, railroads. The object is offering service to the customer," Smith said. "Why not go to one salesman. You as a shipper don't care how it's shipped as long as you get fair service at a fair price."

The Soo Line, which is controlled by the Canadian Pacific Railroad, has long been involved with a concept known as containerized shipping, in which goods are loaded into a container in the Orient, the container is loaded onto a ship, transferred to a railroad car and then placed on a truck for delivery to its final destination — all with very little handling.

Upgrading trackage

The railroads are getting money for upgrading right-of-way for heavier loads and faster trains because they are saving money by cutting hundreds of miles off their totals. They also are saving money because they are not responsible for running money-losing passenger trains anymore and because they are closing scores of depots and laying off hundreds of employes.

"This has provided them with a better revenue picture than they've had for many years," said Paul C. Heitmann, director of the State Transportation Department's Bureau of Railroads and Harbors.

"A lot of them are in better shape now than they were before ... but not entirely because they've been putting money into it, [but] because they've been lopping off the really bad physical condition plants," Heitmann said.

The state's secretary of the Department of Transportation, Lowell Jackson, says that Wisconsin's rail system of the future will be much leaner that it is now, something he calls "the rationalization of the freight railroads."

Proposed takeover

One example Jackson mentions is the proposed takeover of the bankrupt Milwaukee Road by the Grand Trunk Railway, a subsidiary of the government-owned Canadian National Railway.

"The Milwaukee Road and the Grand Trunk are likely to reach agreement, which will solve part of the bankrupt's problem ... but ... along the way, more and more branch lines will be dropped off, in many cases without real rationale for preserving or restoring them, because the communities can be alternatively served by trucks," Jackson said.

"By and large the state's program is beginning to be honed down to something that makes more sense," Jackson said.

One thing that doesn't make sense to Jackson is the passenger train. He is opposed to any proposals to extend Amtrak to the Green Bay area and beyond, or to add trains between Milwaukee and Chicago. Amtrak trains run on Milwaukee Road tracks through Wisconsin between Chicago and Minneapolis via Milwaukee, Portage and La Crosse.

No expansion

The passenger train can never pay for itself, Jackson says, adding that the only reason Amtrak survives in the state now is because it is subsidized by the federal government.

Railroad officials all foresee no expansion of passenger rail service in Wisconsin. And they all say that the public tends to forget that railroads need to make money.

"Somehow, over the years, people got the idea that railroads were a public institution not subject to economic disciplines, as other businesses are," said James R. Macdonald, a spokesman for the North Western.

Some people still feel that railoads are a public institution, an argument they make when calling for the nationalization of all railroads, not just passenger trains.

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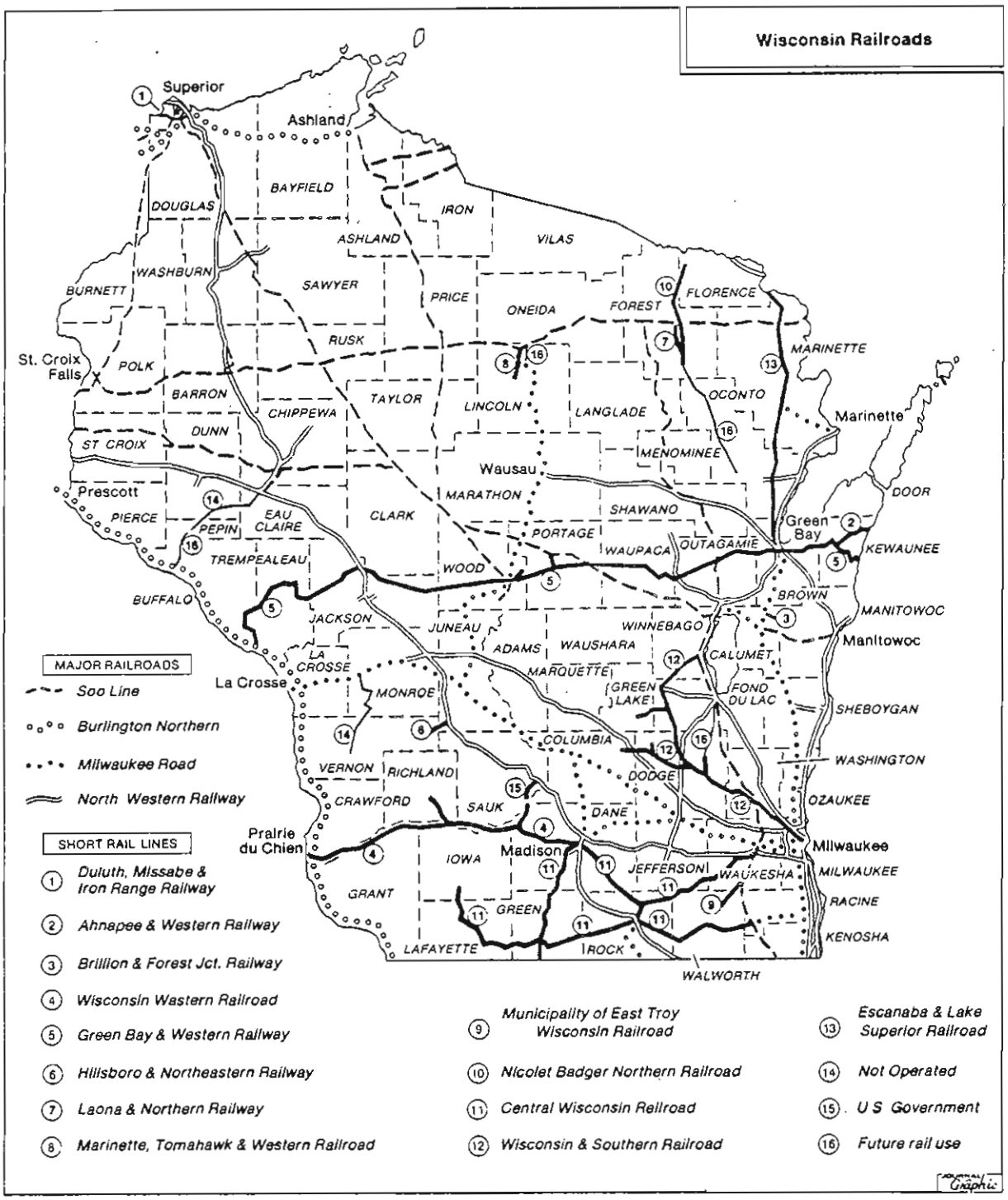
Railroads of future: leaner, faster, more profitable - Concluded

The Interstate Commerce Commission operated on the "public institution" premise until 1980 when Congress decided to deregulate the railroad industry. This touched off a spate of abandonments.

As a result of this abandonment trend, Wisconsin has seen the birth of several shortline railroads.

In a way, many of these new railroads are public institutions, since they operate on track purchased from the major railroads by county or regional transit commissions.



Wisconsin State Journal
April 4, 1983

Cuts help railroads

MILWAUKEE (AP) — Railroads serving Wisconsin have improved their financial positions by eliminating unprofitable routes and concentrating on the moneymakers, a trend railroad executives and state officials say will continue.

"The railroad industry is living in the 1900s and is about to live in the year 2000," said Worthington Smith, president of the Milwaukee Road.

Decades ago, railroad lines reached virtually every hamlet of the state. The passenger lines that crisscrossed Wisconsin have all but vanished save for Amtrak, and the freight that once moved on spur rail lines is now often moved by truck.

Executives with the Milwaukee Road, the Soo Line and the Chicago & North Western supported the idea of total transportation systems, in which railroads, trucking companies, barge lines and airlines cooperate to move goods as quickly and cheaply as possible.

The Interstate Commerce Commission in January removed one longstanding obstacle to the railroads' ability to enter into a total transportation arrangement by allowing cross-ownership of railroads and trucking companies.

"I don't see anything wrong with it," Smith said from Chicago. "Look at the Canadian systems. They own steamships, truck lines, airlines, railroads.

"The object is offering service to the customer," he said. "Why not go to one salesman? You as a shipper don't care how it's shipped as long as you get fair service at a fair price."

State officials said many of the railroads are cutting hundreds of miles off their routes, paring passenger service, closing depots and laying off hundreds of employees no longer needed in their leaner operations.

"This has provided them with a better revenue picture than they've had for many years," said Paul Heitmann, director of the State Transportation Department's Bureau of Railroads and Harbors. "A lot of them are better off now than they were before . . . because they've been lopping off the really bad physical-condition plants."

Des Moines Register
April 1, 1983

Milwaukee Road files reorganization plan

CHICAGO, ILL. (AP) — The bankrupt Milwaukee Road would become part of a 5,200-mile railroad system stretching from Kansas to Ohio under an amended reorganization plan filed Thursday by a court-appointed trustee.

Trustee Richard B. Ogilvie's plan, filed in U.S. District Court, would allow Grand Trunk Corp. to acquire the Milwaukee Road's railroad operation and incorporate 3,100 miles of Milwaukee Road track in the new line.

Ogilvie estimated that the combined systems would have gross revenues of more than $1.3 billion by 1987, with a pre-tax income of $100 million and combined assets of $1.2 billion.

"This plan represents the culmination of almost five years of hard work restructuring the railroad," Ogilvie said. "It satisfied virtually all of the goals we set for ourselves when we began this project."

The plan must be approved by the Interstate Commerce Commission and U.S. District Judge Thomas McMillen, who is overseeing the reorganization.

The plan calls for Milwaukee Road to own only those assets directly involved in running the railroad.

The new line would serve Illinois, Michigan, Ohio, Indiana, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, Kentucky and Kansas.

Wall Street Journal
March 28, 1983

Milwaukee Road Says Trustee to Settle Debts Of Up to $75.5 Million

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—Chicago, Milwaukee, St Paul & Pacific Railroad said its bankruptcy trustee agreed to settle as much as $75.5 million of debt in secured bonds and personal-injury claims.

Payments on the interest accrued through last Dec. 31 will be made before July 1, with remaining claims for principal and interest to be paid by Dec. 31, 1984, the railroad said. Legal expenses will be subtracted from the payments, which require court approval.

The maximum payments for each $1,000 face amount are $220 on first-mortgage bonds; $397.98 on general-mortgage bonds, Series A; $415.85 on Series B, and $238.15 on Southern Indiana Railway first-mortgage bonds.

The railroad said its trustee, Richard B. Ogilvie, will file an amended plan of reorganization Thursday.

Milwaukee Road, as the railroad is informally known, said the court has already approved a plan to pay 90 cents on the dollar of personal injury and death claims filed against the carrier before its December 1977 bankruptcy filing. The claims amount to about $3 million, the railroad said.

Chicago Sun-Times, April 1, 1983

MILWAUKEE ROAD: An amended reorganization plan that includes the Grand Trunk Corporation's proposed acquisition of the Milwaukee Road was submitted in federal bankruptcy court Thursday. Trustee Richard B. Ogilvie projected that the new railroad would operate 5,200 miles of main line in 11 states and gross $1.3 billion in revenues with a pro-tax income of $100 million in 1987. Three previous plans had been rejected by the bankruptcy court.

Wall Street Journal
March 31, 1983

Milwaukee Road Sets Bond Payment Plan

By a WALL STREET JOURNAL Staff Reporter

CHICAGO—Chicago, Milwaukee, St. Paul & Pacific Railroad said its bankruptcy trustee reached an understanding to pay as much as $63 million of bonds.

The Milwaukee Road, as it is generally known, said it will pay all holders of 5% income debentures the principal plus $22.2 million in interest by Dec. 31, 1984. If enough cash isn't available, holders will get notes on a company formed during the line's reorganization.

Holders of Chicago, Terre Haute & Southwestern Railway first and refunding mortgage bonds will be paid interest through last Dec. 31, up to $237.29 per $1,000 in full amount before July 1. All remaining principal and interest payments will be made by Dec. 31, 1984, the railroad said.

Talks will continue between the trustee and the committee and indenture trustee for the Chicago, Terre Haute & Southeastern income mortgage bonds regarding claims of holders of those bonds, the line said.

Milwaukee Road said that, under the settlement, representatives of bond holders will support an amended reorganization plan scheduled to be filed today.

Journal of Commerce
April 4, 1983

CN Railways Posts Operating Loss

Journal of Commerce Staff

MONTREAL — Canadian National Railways has announced a loss of C$223 million from 1982 operations.

The state-owned railway's annual report, as previously indicated, confirms that half of the 1982 loss is attributable to the corporation's decision to reduce the value of its investments of $35.9 million in Central Vermont Railway and of $61.5 million in Eurocanadian Shipholdings Ltd., the Swiss-based parent of the Cast shipping group.

The volume of freight traffic carried by CN Rail, expressed in revenue ton-miles, fell by 11.7 percent in 1981. Total rail operations posted a loss of $121 million, including $54.5 million for CN's U.S. subsidiary, Grand Trunk Corp. Overall freight revenues in 1982 were $2.29 billion, down by nearly 8 percent.

Wall Street Journal
March 31, 1983

ICC Burlington Ruling Is Upheld, Says Chicago & North Western Road

By a WALL STREET JOURNAL Staff Reporter

CHICAGO — Chicago & North Western Transportation Co. said a federal appeals court upheld an Interstate Commerce Commission ruling allowing the railroad to buy a half-interest in a Wyoming rail line.

Chicago & North Western will pay Burlington Northern Inc. $76.2 million for its interest in the track, which runs along 103 miles of the coal-rich Powder River Basin. The ICC set the payment price in October after Chicago & North Western and Seattle-based Burlington couldn't agree on one. Burlington then appealed the decision.

A Chicago & North Western spokesman said the Washington court's decision lets the railroad go ahead with plans to rebuild 45 miles of track that are linked to the joint Chicago North Western-Burlington line and build a new 53-mile line that will link the joint line with Union Pacific Corp. track in Joyce, Neb. as reported, Chicago & North Western and Union Pacific have arranged bank financing for 75% of the $450 million needed for the new and rebuilt track.

Chicago & North Western and Burlington originally planned to build the Powder River line jointly in the 1970s, but the Chicago railroad wasn't able to finance its part of the project then.

A spokesman for Burlington Northern said he couldn't comment because he hadn't seen the court decision.

Crain's Chicago Business
April 4, 1983

On track: A new reorganization plan for **Milwaukee Road** was filed last week, reflecting an earlier agreement by the railroad's bankruptcy trustee to settle up to $75.5 million in debt in secured bonds and personal-injury claims. Also part of the amended plan was Grand Trunk Corp.'s proposal to acquire the railroad and operate it as a Midwest subsidiary. . . .A U.S. Court of Appeals in Washington, D.C., upheld an ICC ruling granting **Chicago & North Western Transportation Co.'s (C&NW)** half interest in a rail line in Wyoming's Powder River Basin. C&NW had agreed to co-develop the line with Burlington Northern (BN), but had been unable to finance the deal, and BN disputes C&NW's right to purchase half the line now.#

Minneapolis Star/Tribune, April 1, 1983

Milwaukee Road to become subsidiary

By Paul Klauda
Staff Writer

The Milwaukee Road moved a step closer Thursday to completing federal bankruptcy proceedings by filing an amended reorganization plan that would make the railroad a wholly owned subsidiary of Grand Trunk Corp.

Officials of the two railroads signed a stock acquisition agreement in August by which the reorganized Milwaukee would operate a 3,100-mile Midwestern railroad system as a subsidiary of the Grand Trunk. The plan was filed yesterday in U.S. District Court in Chicago and the Interstate Commerce Commission (ICC) in Washington.

If the court and the ICC approve the plan, bankruptcy proceedings, which started more than five years ago, could be completed next year, Milwaukee Road officials said. In December 1977 the railroad filed for protection from its creditors under Chapter 11 of federal bankruptcy laws.

The combined railroads would operate 5,200 miles of main-line track in 11 states and employ about 10,000 people. Railroad officials project that by 1987, the two rail systems would gross more than $1.3 billion in revenues, with pretax income of $100 million. Combined assets that year would be $1.2 billion, they said.

The two systems virtually circle the Great Lakes. The acquisition is expected to strengthen service for Minnesota shippers along about 800 miles of track owned or operated by the Milwaukee Road.

The Milwaukee connects with the Duluth, Winnipeg, and Pacific in Duluth and joins the Grand Trunk Western in Chicago. The combined railroads would reach Illinois, Michigan, Ohio, Indiana, Wisconsin, Minnesota, Iowa, Missouri, Kentucky, South Dakota and Kansas.

Under the amended plan, the reorganized Milwaukee would own assets related only to railroad operations. Remaining assets would be used to satisfy creditors and to form a separate company, whose capital stock would be distributed to the Milwaukee's existing stockholders. The separate company's assets would include the stock of the Milwaukee Land Co., currently a subsidiary of the Milwaukee.

Milwaukee Road trustee Richard Ogilvie plans to pay creditors nearly $328 million by Dec. 31, 1984, according to the plan.

The railroads will continue to operate as separately managed companies until the amended plan gets final approval. However, since June the railroads have provided some coordinated service to customers in the primary corridors of the two systems.

The Grand Trunk Corp. is owned by the Canadian National Railway Co. The Grand Trunk owns the Duluth, Winnipeg & Pacific Railway Co., which operates in Minnesota between Duluth and International Falls; the Grand Trunk Western Railroad Co.; the Detroit, Toledo & Ironton Railroad Co., and the Central Vermont Railway, Inc.

The reorganized Milwaukee, although larger than existing Grand Trunk lines, consists of less than one-third of the 10,000 miles of track it had as recently as March 1980. That month, with court agreement, the company pared almost 6,000 miles; it retained a core of its busiest and most profitable lines.

Wisconsin State Journal, April 2, 1983

Rail line to be renovated

GREEN BAY (AP) — The Northeast Wisconsin Railroad Commission and the Escanaba and Lake Superior Railroad Co. have signed an agreement to rehabilitate 50 miles of the company's track between Green Bay and Crivitz.

Lowell Jackson, head of Wisconsin's Department of Transportation, met with Robert LaCounte, commission chairman, and John Larkin, president of the company, based in Escanaba, Mich.

The agreement calls for about $2.27 million in federal and local funds for the project, Jackson said.

The Federal Railroad Administration was expected to provide $1.25 million while the Escanaba and Lake Superior Railroad Co. funds $1.02 million, he said.

"The project is very important because it enables the railroad line to remain in operation in the private sector," Jackson said.

The improvements, under the supervision of the Green Bay Transportation District, are to improve the track to meet Federal Railroad Administration Class 2 safety standards.

Minneapolis Star/Tribune, March 31, 1983

Marketplace pulse/

Transportation/ Railroad plan sets special freight rate

Shippers along the Milwaukee Road in western Minnesota will pay about 81 cents per bushel of corn to get direct access to West Coast markets via the Burlington Northern (BN) Railroad.

The railroads signed an agreement Tuesday that will put BN trains on the Milwaukee line from Ortonville, Minn., to Buffalo Lake, Minn., and establishes a special freight rate for shippers. The trains will be operated by Milwaukee crews between those towns. BN crews will take over when the trains head west from Ortonville.

Ralph Avery, BN assistant vice president for sales and service, said the railroad plans to offer shippers along the Milwaukee line a unit-train rate that is 6 cents per hundredweight higher than rates on nearby BN lines. (A unit train contains 54 cars that carry the same commodity.)

As a bushel of corn weighs about 56 pounds, the cost differential is about 3 cents per bushel. The present rate charged by BN is $1.39 per hundredweight, Avery said, making the new rate $1.45 per hundredweight.

"It's a rate that we can live with, that's for sure," said Warren Gerdes, general manager of the Farmers Co-op Elevator in Buffalo Lake. "That type of rate is very favorable to us."

Gerdes and other shippers along the Milwaukee line have not had direct access to West Coast markets since 1980, when the Milwaukee Road sold its Ortonville-to-Miles City, Mont., line to BN. Without direct access, shippers were forced to pay more for indirect access or to move grain to other Midwestern markets, such as Minnesota or Mississippi River terminals or the Duluth port.

Avery said the new rate will not be published until June, after BN files a petition with the Interstate Commerce Commission (ICC). Rates for smaller trains have not been determined, he said.

The agreement is subject to approval from the ICC and the U.S. Bankruptcy Court in Chicago, which has been supervising the Milwaukee Road's financial reorganization since December 1977. The railroad filed for protection from its creditors under Chapter 11 of federal bankruptcy laws.

—Paul Klauda

Progressive Railroading, March 1983

NITL CONCERNED OVER RAIL "BALKANIZATION." The National Industrial Transportation League has asked Congress to schedule an oversight hearing on a section of the Staggers Act. NITL said shippers are extremely concerned about the elimination of competition through the curtailment of reciprocal switching, the withdrawal by railroads from competitive joint rates, and the elimination of economically viable gateways through which carriers interchange freight. "This is having a serious impact on shippers' ability to effectively market their products by prohibiting the use of the most efficient routes," said a League spokesman. "Also of concern is the problem created by the growing balkanization and fragmenting of the national rail network."

Washington Post
April 1, 1983

Blanchette Resigns DOT Rail Position

Federal Railroad Administrator Robert W. Blanchette, the last member of former Transportation secretary Drew Lewis' innermost circle still at the department, resigned yesterday effective May 1.

Blanchette, a Democrat Lewis recruited because of his railroad experience, said he will return to private law practice here and will serve as chief executive officer of TGV-US, a firm that will promote the French high-speed passenger rail system in the United States.

The only serious high-speed rail plan under way here is a line in California. Backers of that system are said to be committed to Japanese technology. Asked yesterday if that were the case, Blanchette said, "I don't know; we'll find out. I'm still on government time."

Blanchette said he was not pushed out the door by Secretary Elizabeth Hanford Dole. "I had originally set two years as a target date, and I have gone a little beyond two years," he said.

Blanchette has overseen the passage of legislation that could reduce the federal role in railroading. Conrail, the Northeastern federal railroad, "has been made profitable and will be denationalized," Blanchette said. "Amtrak has been given new management and direction; its subsidies are declining, and it has been put on a business basis . . . We are now authorized to convey the Alaska Railroad from federal hands to the state."

Des Moines Register, March 31, 1983

Last chance on rail line

Time is running out for Des Moines to retain east-west railroad service, and for Atlantic, Newton, Iowa City and a dozen smaller places to keep anything but branchlines. Community leaders and shippers have been meeting in a last-ditch effort to put together a plan for buying the Rock Island line intact before it gets sold off in pieces.

Their efforts deserve the state support being sought.

Probably about $50 million from all sources would be needed to buy the 375 miles of track between Council Bluffs and Bureau, Ill., where it connects with track into Chicago now operated by the Chessie System. The Milwaukee Road is about to buy the Iowa City-Davenport segment, and the federal judge supervising the Rock Island bankruptcy has approved purchase by the Chicago & North Western of a few miles in the Des Moines area.

The concerned shippers and communities think that the court and the Interstate Commerce Commission would favor a bid for the entire line over bids for fragments. That certainly ought to be the case if the public interest is considered. But how about the $50 million? The hope is that $15 million can be raised privately, that the state will match this and the rest can be borrowed.

Under the tentative plan, operating rights would be leased to a major railroad interested in providing service but not to the extent of buying the track now. In the long run — if there is a long run for this route — the prospects may be surprisingly good.

More and bigger rail mergers have been taking place, and industry analysts wouldn't be surprised if only a half-dozen major systems remain in another 10 years. In that scenario, a multitude of independent shortlines would survive, too, but middle-sized systems like the North Western, the Milwaukee and the Illinois Central Gulf would be absorbed into one of the giants. Then a non-affiliated main line between Chicago and Omaha through Des Moines could become very attractive to one of the big merged systems.

Meanwhile, back to Earth. It's late in the day and success appears less likely than failure, but the state has a big stake in keeping the Rock Island route intact. So the effort must be made. If the plan falls through, nothing will have been spent. If it succeeds, the benefits would far outweigh the cost.

Milwaukee Sentinel
April 6, 1983

Rolling peril

Three major chemical and oil spills resulting from train accidents over the last three days have focused attention on the hidden dangers that can ride into many US communities on the rails.

In Denver, more than 5,000 residents were evacuated when a railroad tanker ruptured and spilled 20,000 gallons of nitric acid at a railroad siding.

At Matewan, W. Va., 15 freight cars were derailed, spilling a highly flammable corrosive chemical and forcing evacuation of some homes and a church.

And, at Cochranton, Pa., seven cars of a freight train jumped the tracks, triggering a tanker explosion as 30,000 gallons of oil burst into flame and damaged 15 buildings.

The Denver accident occurred when one tank car was pierced by the coupling of another. Causes of the derailments were not immediately known, but it is significant that many accidents of this type can be traced to poorly maintained tracks and roadbeds.

Track and roadbed maintenance is essential as long as hazardous cargo is being transported in large quantities in populated areas.

Certainly, more stringent tanker safety regulations may be necessary. Otherwise, the once romantic sound of the train's whistle could become ominous for those who live and work along America's railroad tracks.

Minneapolis Star/Tribune, March 29, 1983

Milwaukee, BN set joint rail rates in west

By Paul Klauda
Staff Writer

Officials of the Milwaukee Road and Burlington Northern have reached an agreement that will reopen West Coast markets to farmers along a stretch of Milwaukee tracks in western Minnesota.

The agreement, to be signed today in Minneapolis, will establish a joint freight rate for shippers who use Milwaukee-operated track from Buffalo Lake to Ortonville, Minn., and Burlington Northern-operated track from Ortonville to the West Coast.

"If there's anything that's gonna help us survive, that's it," said Rick Dunbar, general manager of Valley Farmers Elevator, which serves farmers around Montevideo, Wigdahl, and Watson, Minn.

However, Dunbar and other shippers in 17 towns along the rail line are reserving final judgment on the agreement because they haven't been told the rate they will be charged.

Railroad officials are expected to announce that rate today during a three-stop swing in Minnesota by Sen. Dave Durenberger, who helped bring the Milwaukee Road and the BN together with shippers' associations during two years of negotiations. Durenberger will make stops at the old Milwaukee Road depot in Minneapolis and in Buffalo Lake and Montevideo.

The agreement calls for BN to take over operating rights for track from Ortonville to Buffalo Lake and offer shippers a published freight rate, according to Ralph Avery, BN assistant vice president for sales and service. BN would pay the Milwaukee Road a contract rate for operating rights to the track, he said.

A Milwaukee Road spokesman in Chicago acknowledged the agreement but declined to comment until further details are announced today.

The agreement is subject to approval from the Interstate Commerce Commission and the U.S. Bankruptcy Court in Chicago, which has been supervising Milwaukee Road's financial reorganization since December 1977. Milwaukee Road filed for protection from its creditors under Chapter 11 of federal bankruptcy laws.

As part of its reorganization into a smaller railroad company, the Milwaukee Road has limited its system to the western border of Minnesota. In 1980, Burlington Northern bought the portion of the Milwaukee Road line from Ortonville to Terry, Mont., where the line joined existing BN track.

At that point BN began offering unit-train rates (rates for trains in which all cars carry the same commodity) for West Coast-bound corn to shippers along its lines in southwestern Minnesota and parts of North Dakota and South Dakota. The rates were considerably lower than existing rates in Minnesota and put shippers along the Milwaukee Road east of Ortonville at a competitive disadvantage.

For instance, Dunbar said he was competing with shippers on BN lines south, east and north of his elevator in Montevideo. The lower rail rates allowed those shippers to offer farmers 10 to 12 cents more per bushel of corn, Dunbar said.

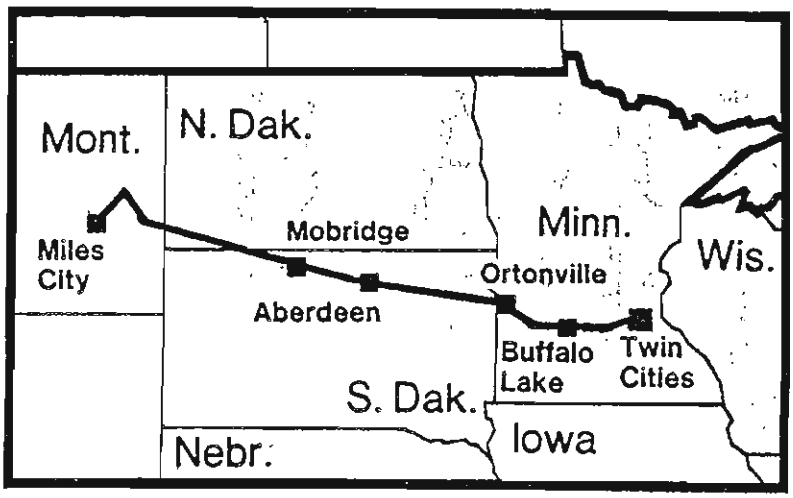
"We've lost a lot of corn (business) by not having a competitive rate," he said. "When we lose those bushels, we lose margins, and it's tough to pay expenses without margins."

A competitive unit-train rate would make it cheaper sometimes for Warren Gerdes to ship grain to the West Coast than to truck it 50 miles east to the Mississippi River at Savage. Gerdes, who runs the Farmers Co-op Elevator in Buffalo Lake, said his current rail rates exceed his trucking rates. Moreover, he said, a better rail rate would give him another marketing option when the river is frozen.

"The last five years we haven't been able to go west," he said.

In addition to rail problems, the West Coast markets no longer are as lucrative as they were a few years ago. A worldwide recession has slowed export demand for grain, including corn, with little improvement expected this year.

"Sometimes the West Coast is good, sometimes it's not," said Bob Zelenka, executive secretary of the Farmers Elevator Association of Minnesota. "We need to have access to as many markets as possible. If this (rate) does in fact open up that market, it will be a very positive impact. The cheaper the transportation cost, the better price we can provide to the producer."



Minneapolis Star/Tribune, March 29, 1983

BN to run grain trains on Milwaukee track

By Paul Klauda
Staff Writer

A stretch of Milwaukee Road railroad in western Minnesota should get a boost in business this summer through an unusual agreement that will put Burlington Northern (BN) trains on the tracks.

But the segment will be manned by Milwaukee Road crews.

The crew switch will take place in Ortonville, Minn., which will become a gateway to West Coast grain markets for shippers from Ortonville to Buffalo Lake, according to the agreement signed Tuesday in Minneapolis by officials from both railroads.

The railroads agreed to establish a joint freight rate that is expected to make them more competitive and help regain some of the grain business they have been losing to shippers that have direct access to the West Coast on other rail lines.

Officials of both railroads said they believed the agreement was the first of its kind among railroads.

The rate charged to shippers will not be known until BN files a petition with the Interstate Commerce Commission (ICC), said Ralph Avery, BN assistant vice president of sales and service. The rate could be published by June, he said.

The Ortonville-to-Buffalo Lake line, part of a larger stretch of track scheduled for abandonment nearly four years ago, has since been retained in Milwaukee's smaller core of trackage in the Midwest.

However, the line lost its link to the West Coast when Milwaukee sold its Ortonville-to-Miles City, Mont., line to BN in 1980. Without direct access to the markets, shippers were forced to pay more for indirect access, or sell their grain to other Midwestern markets.

By re-establishing the link, "It's going to make all the difference in the world," said Arnold Anderson, president of the Great Plains Rail Shippers Association, representing shippers in Minnesota, the Dakotas and Montana.

Efforts to retain and restore the line were spearheaded by Sen. Dave Durenberger, R-Minn., who led a two-day train trip over the line two years ago to urge federal transportation officials to approve a loan request by the bankrupt railroad.

At a press conference yesterday in Minneapolis Durenberger called the agreement "a big step to save agriculture in western Minnesota." Later he made stops in Buffalo Lake and Montevideo to announce the agreement.

The agreement directly affects 16 grain elevators, servicing more than 6,500 farmers, from Ortonville to Buffalo Lake.

It is subject to approval from the ICC and the U.S. Bankruptcy Court in Chicago, which has been supervising Milwaukee Road's financial reorganization since December 1977. The railroad filed for protection from its creditors under Chapter 11 of federal bankruptcy laws.

The agreement gives BN two options for moving grain on the Milwaukee track. One is to compensate Milwaukee at $6.35 per train mile (the distance the entire train travels) plus 22 cents per car for each car over 35 cars. Crew costs will be paid by BN.

The other option allows Milwaukee operators to pick up the shipment in Milwaukee trains using BN cars. BN would compensate Milwaukee at a rate of 80 cents per car mile (the distance each car in the train travels).

Modern Railroads, March 1983

Railcar Tax

The state of Colorado is again looking at a railroad car-mile tax. The "red ink budget" submitted in January by Gov. Dick Lamm added the rail tax to higher truck and gasoline taxes and hikes in personal and corporate income taxes.

A similar proposal died in committee a year ago on a tie vote.

A 2¢ tax per car mile would generate about $14 million, the state estimates. Funds would be earmarked for grade separations or crossing improvements. The state Department of Transportation favors pre-fabricated crossings.

Money raised by the tax would be augmented by matching funds. More than 80 crossings need improvements.

Colorado is also proposing a new gross ton mile tax for trucks. Details have not been released but, according to one official, present rates should be increased 50 percent.

Quad Cities Times, March 28, 1983

Q-C wonders who will buy track

By Gary Sawyer
of the Times

The question of who will buy the Rock Island Line's main east-west track that bisects Iowa has become a matter of concern to many Quad-City community leaders and shippers.

Locally, the shippers are primarily concerned with the track that runs from Davenport to Iowa City. This track allows shippers to make connections with other rail systems in Cedar Rapids.

Since going bankrupt, The Rock Island Line has been leasing the Davenport-Iowa City line to the Milwaukee Road. The Milwaukee, in turn, has leased the line to the Iowa Railroad Co. The Iowa Railroad Co. also leases the rest of the track, which runs from Omaha to Bureau, Ill., from the Rock Island Line's trustee.

But the Rock's bankruptcy trustee has wanted to sell the track to settle the company's debts. The Iowa Railroad Co., based in Des Moines, says it cannot afford to buy the track.

There has been some speculation that if the track is not sold soon, the line may be scrapped and rail service will end.

The Quad-City shippers may not have much to worry about, however. The Milwaukee Road is currently negotiating with the trustee to buy the line from Iowa City to Davenport.

But community leaders from across Iowa don't want the track sold piecemeal and are attempting to put together a plan to buy the entire stretch of track that crosses Iowa.

Dick Weeks, director of the Quad-City Development Group and a member of the statewide committee, doesn't think the group will be successful.

"The reason no one has bought the track so far is that there isn't enough traffic on the road to support the economics," Weeks said. He said at the price the trustee is expected to ask "there just isn't enough business to support it."

"A lot of people want to lease it," Weeks said, "but there aren't many that want to buy it."

Weeks said that local shippers aren't concerned who buys the line, "they are concerned, however, that someone does operate the line between Davenport and Iowa City."

Journal of Commerce, March 31, 1983

Conrail's Engineers Urged to Accept Pay 12% Below Industry's

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—A presidential panel recommended that Consolidated Rail Corp. locomotive engineers accept an agreement that would permanently set their wages 12% below the industry average.

Under the panel's recommendation, the Conrail engineers' pay would permanently be 12% behind the pay of engineers who are part of a national labor agreement with other railroads. The engineers' pay has been frozen since 1981, when a labor dispute broke out between the Brotherhood of Locomotive Engineers and Conrail. The panel was appointed to study the dispute.

Currently, the Conrail engineers' pay is more than 12% lower than pay for engineers on the other roads because of the freeze. The board's recommendation would allow a partial wage catch-up.

The board's recommendation matches labor agreements Conrail has reached with the other 15 unions that represent Conrail workers. The board argued that the action is an important part of Conrail's plan to lower its annual labor costs by $200 million to achieve profitablility.

Both the company and the union have 30 days to study the board's recommendation. If a settlement isn't reached, the union could strike April 20. A union official said he hadn't received the board's study and couldn't comment.

Minneapolis Star/Tribune, April 6, 1983

Wirth's loan for depot site approved

By Dave Anderson
Staff Writer

Harry Wirth may be able to buy the Milwaukee Road depot site after all.

Maybe.

A federal bankruptcy judge told the California developer Tuesday that he can accept the $13 million loan he needs to complete his purchase of the downtown Minneapolis property and pay off his debts. And half a dozen lawyers began racing the clock on a closing procedure that might last two days.

Last week, a federal judge in Chicago ruled that as of 5 p.m. Thursday, Wirth will have forfeited his $2.2 million down payment. The land would return to the market.

At yesterday's hearing, Wirth told Judge Robert Kressel that the State Savings and Loan of Lubbock, Texas, backed by the Gibraltar Savings and Loan of Los Angeles, agreed to the loan at a floating interest rate pegged at 3 percent above the prime rate.

Wirth testified that the money would enable him not only to pay the $7.3 million he owes the Milwaukee Road, but also a number of other debts, including $400,000 to the Chicago & North Western Transportation Co. and $1.36 million to other banks.

Another $1.25 million is earmarked for interest payments to the S&Ls issuing the loans; $195,000 for closing costs, and nearly $300,000 to pay other debts large and small, including janitorial service, phone bills and back wages to a secretary in his Minneapolis office.

The Texas institution is to provide $1.3 million; the remaining 90 percent is to come from its Los Angeles counterpart. In addition to the interest and $900,000 origination fee, the two institutions will be entitled to 30 percent of any profits Wirth makes in developing the 15.5 acre site.

The loan will run for 18 months. If development is not well underway by then, said one lawyer, Wirth may extend it six months.

Although lawyers for Wirth, his creditors and the lender were racing against tomorrow's deadline, no one seemed quite sure what the actual deadline was. U.S. District Judge Thomas McMillen in Chicago issued a verbal order giving Wirth 10 more days on March 28. But he did not sign the order until March 30.

In addition, the Lubbock institution, the lead lender, has said it will withdraw its offer after April 7.

Since Wirth outbid four other developers in November 1981, he has been granted nine extensions to come up with the financing.

Normally bankruptcy courts do not authorize payment of creditors until after written notice of repayment schedules is published and the creditors are granted a hearing.

But Samuel Stern, one of Wirth's lawyers, asked for immediate approval on grounds "that all of them will get back 100 cents on the dollar." None of the half-dozen attorneys representing various creditors objected.

Wirth also told Judge Kressel that he estimated the liquidation value (the amount he could realize from a quick sale of the property) at $18 million. He said that given a year and a half to sell the property, he felt it was worth about $31 million. He said an appraisal done for the savings and loans had come to the same conclusion.

Wirth said that in recent weeks he had sent 50 to 60 packets of information to various lending institutions, and had used a number of loan brokers. He said the current offer is the "only available source of financing."

What yesterday's announcement and court decision will mean for the Minneapolis riverfront remains unclear. Some of Wirth's critics have expressed doubt at his ability to raise the $220 million to complete his plan. Others have suggested that he may be simply buying the land for speculation and has no plans to develop it.

Wirth said he would not comment on what would happen next. But Stern said, "I think you will see a lot of activity on his part in accord with the plans he already has in the works. What happened today proves he has the persistence and staying power to perform as promised."

Stern said he thinks Wirth's problems are largely attributable to the recession. "This is a harbinger that we are seeing an economic rebound and that financial institutions are once again willing to invest in our cities. There would be no point in his spending $13 million on this property then sitting on it while paying interest rates well above the prime. That is not good business sense."

Wisconsin State Journal, April 4, 1983

Railroad to ask union concessions

ST. PAUL, Minn. (AP) — Armed with new plans for recovering freight business lost to the trucking industry over the past 20 years, Burlington Northern plans today to ask the United Transportation Union for major concessions to gain a competitive edge.

The company is said to be seeking changes that include reducing crew sizes from four or five to three, suspension of wage premiums for some workers on short-handed crews and some changes in job duties.

William Greenwood, senior assistant vice president for intermodal operations at BN, said the changes are keys to implementing the company's new RoadRailer system.

The RoadRailer is a boxcar equipped with both steel wheels for the rails and rubber tires for the road. It can be pulled by a diesel locomotive as easily as a diesel truck.

Last year, BN's intermodal transportation division extensively tested the RoadRailer and found it promising. The company has signed a letter of intent with Road-Rail Transportation Co., to haul RoadRailer trailers from Chicago to Houston.

Greenwood said the aim is to create a system whereby the cars can be hauled by rail for long distances to hub centers, then be hauled to final destinations by truck. He said the marriage of truck and rail is a realistic approach to providing fast, consistent service.

"The rail industry has been hemorrhaging revenue to trucks for the last 20 years, and railroads so far have been unable to restructure to meet the competition," Greenwood said. He blamed the construction of the interstate highway system for the decline.

Traffic World, April 4, 1983

Rail Bond Issue Bill Introduced in Senate

Senator Dave Durenberger (R-Minn.) has introduced a bill (S. 298) to enable states to issue tax-free industrial development bonds for rail line rehabilitation.

States can already issue such bonds to gain capital to improve airports, docks and mass transit facilities. The legislation would amend title 26, section 103 (A)(4) of the U.S. Code by adding to the list of tax-exempt issues those bonds issued to finance certain railroad projects, including the construction, repair and upgrading of rail beds, trackage, depots, and switching and signaling equipment.

"It would be naive to suggest that all or even most of the 5,463 miles of branch line now slated for potential abandonment can be preserved," acknowledged the senator in remarks included in the *Congressional Record* of March 24. "But it would be equally naive to deny that a timely investment could salvage many of these lines. . . . The key factor is the availability of capital.

"The future of the rail system depends largely on the ingenuity of the states in developing alternative capital funding sources to replace the declining pool of federal dollars.

"Railroads are the lifelines that link America's agricultural regions with national and international markets," he explained. "If we cannot maintain their carrying capacity, the export potential we have labored so hard to develop will remain nothing more than potential. The same is true for coal-fired utilities, heavy equipment manufacturers, and a host of other industries whose futures depend on the long-haul efficiencies of rail.

"The rural rail crisis has a special impact on state governments. For just as railroads are struggling to preserve their route systems, state and local governments are struggling against growing financial pressure to preserve the integrity of the nation's highway system. Deferred maintenance on the nation's highways actually exceeds the cost of maintenance deferrals on the railroads. And with each rail line abandonment, thousands of traffic tons are shifted to rural highways.

"In analyzing the impact of the Milwaukee Road bankruptcy, Minnesota discovered that loss of rail service to a single coal-fired utility would be at least 500 trucks a day on Interstate 94. The consequences of that transfer would be catastrophic. Rail line rehabilitation is far less expensive than highway construction, and few have a stronger stake in rail rehabilitation than the users of the nation's highways.

"Against this background of public necessity the needs of the nation's rail system are immense. The U.S. Department of Transportation projects that the industry will suffer a capital shortfall between now and 1985. Passage of the Rail Deregulation Act has enabled the industry to meet some of that shortfall. But sizable needs remain, and we know from sad experience that when facing a capital shortage, railroads invariably starve lower density branch lines first."

Journal of Commerce, April 7, 1983

Appeals Court Overturns ICC's Conrail Rate Ruling

Journal of Commerce Staff

A U.S. Court of Appeals has overturned an ICC ruling on Conrail cancellation of joint rates which may lead to a new series of proceedings on the issue.

The case decided by a three-judge panel sitting in Chicago calls on the commission to make Conrail present more evidence of its contention that cancellation of joint rates will lead to more efficient routing of freight.

Meanwhile, industry speculation centered around Charles N. Marshall, a Conrail general counsel, as the likely successor to Richard H. Steiner, the Conrail vice president of marketing who resigned earlier this week to take a position with Emery Air Freight.

Mr. Marshall has worked on the legal side of Conrail's efforts to project itself as the low-cost rail carrier in the Northeast by closing joint routes and cancelling joint rates in an effort to attract more single line traffic for the line.

Mr. Steiner, who was with Flying Tigers before moving to Conrail, has been in the forefront on Conrail's marketing programs aimed at attracting more single line traffic, deregulating boxcars, and improving railroad use of computers.

Observers speculated that the commission would have to reopen the matter which was begun in July 1981.

The decision is the latest in a series of disputes between Conrail and other Eastern carriers, two of whom, the Grand Trunk Railroad and the Chessie System, were parties to the suit.

Those railroads have contended that the cancellation of joint rates will hurt them since it would put Conrail in a dominant position by increasing shipper costs for multi-line hauls and giving the larger Conrail system a competitive advantage.

Without joint rates, the shipper is charged the sum of each line's rates, which normally are higher than the joint rate.

Conrail has contended that its actions are eliminating multi-carrier routes which are longer and less practical means for shipping goods by encouraging shorter, more efficient single line service.

A Conrail spokesman Wednesday declined comment on the matter, stating that they had not received the decision which was handed down earlier this week.

The decision handed down by the court says that "the main problem with Conrail's study — a problem that facile burden shifting cannot cure — is not the amount of evidence in it but the uninformative manner of presentation."

The court held that the commission acted improperly in not requiring Conrail to make computer tapes of joint rate information available to the plaintiffs until just before the date when the other railroads had to respond. The effect of that, the court said, was to not give adequate time to question the assumptions or the computations in the study.

The decision also stated that the presentation was flawed because it was submitted in summary fashion.

Specifically, the decision calls on the commission to require specific route-by-route information on the efficacy of joint rate cancellations. It also calls on the commission to give the plaintiffs, which also include the Missouri Pacific Railroad and the American Paper Institute, "a reasonable opportunity to analyze the computer tapes (of rate information) and the programs underlying the study."

The court also said in its decision that "even if the study was 100 percent accurate, all the commission could learn from it was that the many thousands of through routes Conrail was closing were less efficient in the aggregate than the many thousands of through routes tht remain open."

A second criticism the court had states that the study submitted by Conrail contains no information about originating or bridge traffic.

It questions whether the fact that less efficient eastbound traffic routings are necessarily also less efficient for westbound traffic, and suggests that Conrail could determine information on originating traffic by moving for discovery of facts.

The study by Conrail asserted that transit time would be reduced by 1.2 days for shipments and that fuel consumption also would be reduced.

Conrail also noted that a $50 million increase in revenues would result, but the court called that not a gain in efficiency but rather a transfer of wealth from connecting carriers to Conrail.

The issue in this part of the case revolves around whether the changes were in the public interest.

Public interest criteria include directness of routes, energy consumption levels and impact on shippers and affected other carriers.

The railroads which brought the suit contended that they had unbreakable long-range agreements for joint rates and routes with Conrail as a result of legislation which created the system in 1976.

The court didn't agree with that portion of the plaintiff's argument stating that the ICC was empowered to overturn those agreements if they determined such action was in the public interest.

The court also questioned whether closed routes may not lead to higher costs for shippers.

Part of the decision states that adverse affects of rate cancellations on plaintiff's profitability did not necessarily mean that Conrail was out to monopolize rail service in the eastern U.S.

The court noted that each of the plaintiffs are profitable while noting that Conrail is a "bankrupt, living on the federal dole."

Chessie and Missouri Pacific posted profits last year, while Grand Trunk's parent company, Canadian National Railways, reported a loss on GT operations.

Conrail reported a profit by its accounting standards in 1982, though ICC accounting methods yielded a loss on operations.

Journal of Commerce, April 5, 1983

North Western Optimistic on Rail Traffic

By RIPLEY WATSON 3rd
Journal of Commerce Staff

CHICAGO — Truckers may not agree, but James M. Ronayne, the general manager of the intermodal sales for the Chicago and North Western Transportation Co., says "if you can eat it, drink it or wear it, it's going to move on the railroad."

The North Western's latest traffic figures offered by Mr. Ronayne seem to give some reason for that sort of optimism, since trailers carried rose 19 and 23 percent in the first two months of 1983 when compared to the same period last year.

Unlike some railroads, North Western moves almost 90 percent of its traffic on a bridge basis, much of it moving in the line's Falcon service which links Fremont, Neb. with Chicago.

Mr. Ronayne reported that business in that corridor, where 12-hour service is offered over the 520-mile run, has increased to 55 trains per week, seven more than last year.

The railroad now is moving 220,000 trailers per month systemwide, he said.

Mr. Ronayne said he expected intermodal traffic to continue to grow. "It's stronger today than in 1980 or 1981," he said. "The traffic is coming off the highway and out of the box cars and tank cars."

He predicted that rates for piggyback service will increase slowly as the recession goes away and demand increases.

As those trends develop, though, the North Western has been making a series of moves to generate traffic on its own lines.

Mr. Ronayne reported that recently implemented "Easter Bunny" rates for traffic between Chicago and the Twin Cities, Chicago and Kansas City and Wisconsin intermodal ramps and Kansas City are "a hopping success."

Those rates are expected to continue in place indefinitely.

Mr. Ronayne said the rates were similar to Christmas special rates which were put in place more than a year ago to generate piggyback traffic between Chicago and Minneapolis-St. Paul.

The object in the Chicago-Twin Cities market, Mr. Ronayne suggested, was to provide service on the "sunset-sunrise syndrome," which provides evening cutoff of trailers and next morning delivery at the destination.

A Pacer train running for the 82nd week on that route recently carried its 10,000th loaded trailer, Mr. Ronayne said.

The railroad competes head-to-head in that market with the Chicago, Milwaukee, St. Paul and Pacific Railroad and the Burlington Northern Railroad.

The North Western also has made two moves which seem to run against the tide in today's intermodal marketplace, by opening a new ramp at Harvard, Ill. and planning a second one in southern Wisconsin.

Actually, Mr. Ronayne said, the railroad has been following the industrywide trend of closing small, unprofitable intermodal ramps and concentrating on major traffic lanes. The railroad, which once had 90 ramps operating, is down to 23 now, he said.

The new ramp at Harvard, Ill. was installed to serve a distribution center, but also may generate milk traffic, Mr. Ronayne said. Traffic projections are that the ramp could generate as many as 700 trailers a month, Mr. Ronayne said.

The new circus ramp at Harvard cost less than $10,000 to install, he asserted.

The other new ramp will be opened to serve a printing plant, Mr. Ronayne said, though he declined to name the city where the new facility will be placed.

Another internal traffic development may come if the North Western upgrades the former Chicago, Rock Island and Pacific mainline track between Minneapolis-St. Paul and Kansas City.

The North Western has entered a $93 million bid for the line, which it has leased since 1980, but must await an Interstate Commerce Commission decision on who should operate the line before the transaction can be completed. The Soo Line Railroad also has made a bid for the route.

Mr. Ronayne is interested in the line because he thinks service on it could eventually be upgraded to the sunset-sunrise syndrome between the two major Midwestern cities.

At present, service between the cities takes 20 hours and only 10 to 12 trailers a week move along the line.

One reason for Mr. Ronayne's long-range optimism for that route is that it parallels Interstate 35 that is part of a system that he feels cannot be fixed for the $30 billion some have mentioned as the repair tab.

Traffic diversions to rail can be expected if the rehabilitation is inadequate, he contended.

Mr. Ronayne explained that other trends affecting the highway system should eventually affect intermodal service as well.

He sugggested that independent truckers probably will vanish because the economics of operating larger 48-foot vehicles will belong to the larger lines. "The independent will find a livelihood working for large transcontinental companies," he said.

"There will be a lot fewer trucking companies," he said, adding that many of those who are left will be doing local delivery work for intermodal movements.

One trend which he said already is disappearing from the North Western is the so-called rubber interchange, in which trailers are shipped by rail into Chicago, trucked crosstown, and reloaded on flatcars.

He also proposed that the newest generation of 48-foot trailers will be obsolete in as little as two years and that 50-foot trailers already are in the planning stage.

He also had kind words for shippers' agents and other freight consolidators, whom he called the best salesmen the railroad can have.

Those persons, he suggested, make all the sales contacts while handling service matters which help the railroads.

He contended that the industry had matured from the "ma and pa" days when freight consolidators worked from tiny offices.

Traffic World, April 4, 1983

C & NW Files Bid to Buy 720-Mile RI Line, Seeks Financing Exemptions

The Chicago & North Western Transportation Co. has filed an application with the ICC to acquire about 720 miles of track from the bankrupt Chicago, Rock Island & Pacific Railroad Co., and has asked the agency to exempt from its prior approval requirements C & NW's issuance of securities to finance the transaction.

C & NW's application comes on the heels of a judge's ruling favoring C & NW's $93 million bid over a competing $88 million offer from the Soo Line Railroad Co. Soo Line sought to acquire about 672 miles of Rock Island track (T.W., Mar. 28, p. 64).

The C & NW application to acquire Rock Island's main line between Minneapolis and Kansas City, Mo., plus some feeder lines, and two separate petitions for exemption, were all filed with the ICC March 22.

Under the acquisition plan, formal purchase of Rock Island lines will be made through C & NW's wholly owned subsidiary, Midwestern Rail Properties, Inc. The Rock Island lines will then be leased from MRPI and operated by C & NW.

C & NW has leased the lines at issue from the Rock Island for three years. In its acquisition application, the railroad contended that becoming the owner of the property "rather than merely a lessee whose operations can be terminated on 30 days' notice," will ultimately result in substantial benefits for both C & NW and the general public.

"The prospects of 'making permanent' the benefits C & NW and the public have enjoyed since C & NW began operating these lines in 1980 makes the proposed purchase extremely desirable," the railroad said.

"Acquisition of the Rock Island lines will allow C & NW expenditures to bring the Rock Island. . .main line up to speed of 30 to 40 miles per hour and provide for permanent integration of all Rock Island lines into C & NW's system providing services at a total cost less than could be provided by separately owned and operated rail plants."

In a separate petition for exemption, C & NW asked the Commission to exempt from its prior approval requirements the railroad's stock control of MRPI, as well as its lease and operation of the Rock Island lines which MRPI is seeking to acquire.

C & NW and MRPI also asked the Commission to exempt their joint issuance of $93 million worth of Class A and B notes, the proceeds from which will be made available to MRPI to finance the acquisition.

The parties also seek an exemption for C & NW's assumption of obligation with respect to certain MRPI securities, and C & NW's assumption of obligation with respect to certain joint mortgages.

In addition, C & NW and its subsidiary seek an exemption for the reissuance of 100 shares of MRPI's common stock to C & NW, and, if necessary, an exemption from competitive bidding requirements in connection with the issuance of the $93 million in financing notes.

The acquisition application is docketed as Finance 29518, Sub. 1. The petitions for exemption are docketed as Finance 29518, Sub. 2, and Sub. 3.

Traffic World, March 28, 1983

SP Rate Cancellation Suspended by ICC Board; Controversy Heightens

An Interstate Commerce Commission employe board told a western railroad that its attempt to severely limit the use of 29 joint rate tariffs appears to be unreasonable and unlawful.

As a result, the ICC's Suspension Board on March 23 suspended the Southern Pacific Transportation Co.'s proposal through August 23 and opened an investigation into the tariff schedules.

The Suspension Board's action marks only the second time in recent months that the agency has stepped into the railroad industry's battle over market shares. That war, which began more than a year ago in the eastern U.S. and has taken the form of joint rate cancellations, gateway closings, and reciprocal switching cancellations, has been the subject of increased attention and criticism from shippers, other railroads and the Department of Justice.

Despite the public attention and outcry, the Commission has taken a "hands off" attitude and has, through its decisions and various public statements, told the railroads to settle the dispute themselves.

Based on their past actions, it appears unlikely that the commissioners will vote to uphold the Suspension Board's action in the SP route restrictions case and in another recent suspension of a Conrail reciprocal switching cancellation proposal.

SP had proposed to restrict its participation in joint rates and routes to instances where the rail cars were completely unloaded at destinations served by SP or any of its subsidiaries or at stations directly intermediate to the destination points.

The proposal had been scheduled to go into effect March 24 and was docketed as Suspension Board Case No. 71030. It is now docketed as I. & S. 9261, *Restricted Application of Single-Factor Joint Rates, Southern Pacific.*

Shippers have taken several approaches in fighting what many of them have described as an "elimination of competition." In addition to traditional protests to proposed railroad actions, the National Industrial Transportation League last month asked for a full-scale investigation and rulemaking proceeding to examine the joint rate situation (T.W., Mar. 7, p. 79).

According to Commission sources and industry observers, the chances are slim that the Commission would undertake such a proceeding. A more likely vehicle for Commission consideration is a formal complaint filed by the Chlorine Institute against 20 railroads (T.W., Mar. 21, p. 110). Because it is a complaint, the institute members would have the burden of proof and would be required to provide the Commission with specific situations and alleged anticompetitive effects of carrier actions. That would require far fewer Commission resources to develop the investigation than would the general investigation sought by NIT League, agency sources said.

The ICC's Office of Proceedings had informed the shippers that it unofficially decided to consolidate the complaint case and the rulemaking petition, according to counsel for the Chlorine Institute. That consolidation would, however, have deprived the complainants of immediate relief and of substantive rights such as discovery and cross examination through the complaint procedure, the attorney said.

Louis E. Gitomer, head of the Rail Section in the Office of Proceedings, said that because the substance of the two cases is "very, very similar" the original intent had been to consolidate them for consideration. But opposition to such a procedural decision was "pretty persuasive" and no final decision has been made, he said.

Iowans map plans to buy Rock track

Leaders say quick action needed to save rail service

By RANDY EVANS
Register Staff Writer

Community leaders from across Iowa's midsection will meet this week to map plans for an attempt to buy the bankrupt Rock Island Lines' main east-west tracks.

The meeting comes as concern is growing that much of the line may be scrapped unless they act soon.

"Time is running out," said Atlantic businessman Paul Pellett. "We've got to do something or it's all over with."

The Rock Island track bisects the state, passing through Atlantic, Council Bluffs, Davenport, Des Moines, Iowa City and Newton on what once was the Rock's important route between Chicago and Denver. The Rock Island went out of business three years ago, and the company's bankruptcy trustee is trying to wrap up the sale of the Rock's remaining assets.

No Offers

For the past year, the Iowa Railroad has operated the cross-state segment under a lease with the trustee, but the small Des Moines-based company does not have the money to buy the line, its executives say.

Several railroads — including the Chessie System, which is part of the nation's biggest rail operation — have studied the possibility of purchasing the Rock Island's track. None has made an offer.

Shippers are worried that the Rock Island trustee is selling the track piecemeal, which they believe will lead to portions of the main line being abandoned.

The North Western Railway got preliminary approval a week ago to buy the east-west tracks through Des Moines, and the Milwaukee Road is completing an agreement to purchase the Iowa City-Davenport segment.

"We're scared to death," said Charles Crawford, the proprietor of Adair Feed and Grain.

Blow to Business

Crawford's grain elevator is one of the biggest in western Iowa, and if the Rock Island tracks are dismantled, the value of his business would plummet by up to one-half, he said.

The farmers who are his customers would suffer, too, Crawford said, because the higher cost of shipping grain by truck would reduce the price he could pay farmers for their corn and beans.

Crawford's elevator is one of 50 along the Rock Island line that would be directly affected by the loss of rail service. Among other businesses affected would be the giant Maytag Co. at Newton, where hundreds of cars of steel and appliances are received and shipped annually.

"We could survive without rail service, but it would be more expensive," said Lee Hays, Maytag's traffic manager. "It's very important from a competitive point to have rail service.

"There are a lot of businesses looking for places to locate that wouldn't look at a community without rail service. So this rail line is important for industrial development in the state."

Says Line Needed

At Midwest Color Printing, a Marengo magazine printer, expenses would jump by more than $100,000 a year if the rail line is lost, company Manager Martin Borah said. And the loss of the railroad probably would dash chances that the plant could expand, he said.

"It's the same with businesses up and down that line," Borah said. "In order for our business to grow, we need low-cost rail transportation."

The lack of east-west service through Des Moines would be "just one more strike against Des Moines" when businesses are looking for new plant locations, said Frederick Weitz, the Des Moines builder who is chairman of the Des Moines Chamber of Commerce's economic development bureau.

Shippers and community leaders along the Rock Island line began last week to seriously consider trying to buy the tracks between Council Bluffs and Bureau, Ill., a key junction on the Rock Island system in central Illinois.

And a proposal gained momentum in the Iowa Legislature last week to make a special appropriation from the state treasury to help finance such a deal. The proposal calls for the Legislature to lend the Iowa Railway Finance Authority up to $10 million in highway use taxes to get the agency's operations off the ground.

Need $15 Million

"I think we have the capability of getting enough money together from private interests," said Pellett, the Atlantic businessman. "We've got the makings, providing we can get the Legislature to appropriate about $15 million. If they can't find $15 million, you can kiss it all goodbye."

Officials believe it would cost $50 million or more to buy the Rock Island track. Pellett, Crawford and other organizers believe they could raise enough private money to match the Legislature's appropriation and then persuade federal officials or commercial lenders to advance the remainder.

The organizers are hoping to head off the sale of the Des Moines and Davenport-Iowa City tracks by bidding for the entire 375-mile line between Council Bluffs and Bureau. They also have discussed filing a lawsuit challenging the North Western's purchase, which might delay the transaction long enough for the Iowa interests to put together an offer of their own.

If the Iowans succeed in acquiring the line, they would lease it to a railroad to operate.

The community leaders are affiliated with the Atlantic-Pacific Railway Corp., a group headed by Pellett, and TRAIN, an organization led by Maytag's Hays. The acronym stands for "This Rail Across Iowa Is Necessary."

Group prepares bid for Rock's east-west main line

By RANDY EVANS
Register Staff Writer

A group of Iowans intends to make an offer next week for 375 miles of Rock Island Lines' railroad track across Iowa and into Illinois, the chairman of the effort said Wednesday.

The decision came during a meeting in Des Moines Tuesday night of 25 community leaders and business people from along the Rock's Davenport-to-Council Bluffs line.

The session was called as concern mounted through Iowa's midsection that large portions of the line might be dismantled in the near future because no buyers have come forward in the three years since the Rock Island went out of business. The line is considered a vital transportation link for businesses in a number of Iowa cities, including Des Moines, Davenport, Council Bluffs, Iowa City, Newton and Atlantic.

The chairman of the group, Lee Hays of Newton, said the group plans to present its offer to Rock Island bankruptcy trustee William Gibbons during a meeting next week at Rock Island headquarters in Chicago, Ill.

Hays declined to discuss specific provisions that would be included in the offer, saying final details still are being worked out by lawyers for the group.

"It's going to take a lot of money," said Hays, who is traffic manager for the Maytag Company.

A number of railroads have studied the possibility of acquiring the line, which is being offered for sale by the bankruptcy trustee as part of the court-ordered dismantling of the Rock Island. But the effort by the Iowans — who call themselves TRAIN, an acronym for "This Rail Across Iowa is Necessary" — is viewed as a last-ditch attempt to keep the line from being scrapped.

"We're paddling upstream, but we're still paddling," Hays said.

There is considerable urgency to the Iowans' offer, he said, because the group wants to head off attempts by the North Western Railway and Milwaukee Road to buy segments of the track in the Des Moines area and the Davenport-Iowa City area. Such transactions would make it improbable that a buyer could be found for the remaining portions, Hays has said.

The TRAIN members have agreed to form a limited partnership that would dicker with the Rock Island trustee for the entire line between Council Bluffs and Bureau, Ill., where an important junction on the Rock Island system is located. If the negotiations are successful, the group intends to lease the track to a railroad company to operate. And the partnership would hope eventually to sell the line to another railroad, Hays said.

Among the possible operators, Hays said, would be the Iowa Railroad, a Des Moines-based company that has been providing service over portions of the line for nearly two years. Hays said Iowa Railroad officials have expressed interest in joining the partnership.

No "definite commitments" have been made by any of the possible investors, Hays said. But those pledges are expected late this week when lawyers complete work on the offer.

The Maytag Company, the biggest shipper along the Rock Island line, is expected to be among the businesses underwriting the purchase offer.

TRAIN officials have been pressing the Iowa Legislature to help with the financing for the deal by appropriating several million dollars to the Iowa Railway Finance Authority, a state agency that was created to help retain essential rail lines in Iowa.

Des Moines Register, March 31, 1983

Court enjoins railroad's tax payment

By RANDY EVANS
Register Staff Writer

A federal judge issued an injunction Wednesday barring the state of Iowa from collecting nearly $400,000 in personal property taxes that had been due today from the Burlington Northern Railroad.

The ruling by U.S. District Judge William C. Stuart of Chariton came after a day-long hearing in a lawsuit the railroad filed against the Iowa Department of Revenue. The suit contends that Iowa's property tax laws discriminate against railroads and violate federal law. Stuart's ruling prevents the department from collecting the tax pending a final decision in the case.

The ultimate verdict may affect up to $11 million in property taxes that 21 railroads have paid to Iowa's counties in the past four years, revenue department officials have said.

Stuart's injunction may produce a flurry of legal action today as lawyers for the other railroads seek similar restraining orders to permit those companies to withhold their property taxes until the Burlington Northern suit is decided.

Wednesday's injunction will affect property tax collections in the 29 counties where the Burlington Northern operates.

The railroad contends that Iowa assesses railroads differently from other commercial and industrial taxpayers — something a 1976 federal law prohibits. The railroad also is objecting to Iowa's policy of granting tax credits for personal property owned by businesses other than railroads.

State revenue officials have defended Iowa's system of taxing railroads and denied that railroads are being discriminated against or taxed more severely than other commercial enterprises. "The law in Iowa provides for equality," Assistant Attorney General Mark Schuling, the revenue department's counsel, said Wednesday.

There have been no indications when Judge Stuart will rule on the merits of the Burlington Northern's claims.

Traffic World, March 28, 1983

Switch From User Fees To Diesel Differential Tax Urged by Truckers

The trucking industry has called for the elimination or reduction of the special use and excise taxes paid by heavy-truck owners and recommended instead a diesel differential tax that it claims would more equitably distribute the tax burden on the industry.

Richard L. Few, immediate past chairman of the American Trucking Associations, said March 19 in Charleston, S.C., that the diesel-differential formula would be in accordance with the "pay-as-you-use-the-road philosophy."

That new industry policy action was voted recently by the executive committee of ATA.

Mr. Few, president of Cooper Motor Lines, Greenville, S.C., was the principal speaker at the South Carolina Textile Manufacturers Association's Transportation Workshop.

The industry's tax proposal "would simply increase the current tax on diesel fuel, which heavy trucks use," he explained. "This way, the trucks that use the highways the most would pay the most taxes."

Under legislation passed by last year's lame duck session of Congress, the heavy use-tax paid by a typical five-axle combination truck is scheduled to rise from a current fee of $230 annually to $1,600 by 1984, with further annual raises bringing the total to $1,900 by 1987, he observed.

"That incredible increase," Mr. Few continued, "applies to each and every unit. For the independent operator who is having a hard time making ends meet and for the carrier with a fleet of combinations, the burden is far too great. Something is going to have to give. . . ." Concerning charges that heavy trucks cause excessive damage to the nation's roads, the industry spokesman said:

"The reasoning that vehicle weight is the primary cause of highway deterioration is faulty. For example, the Baltimore-Washington Parkway has not held up very well even though heavy trucks are not allowed on it.

"On the other hand, the New Jersey Turnpike, which carries a higher than average percentage of tractor-trailers went 27 years without major maintenance.

"Knowledgeable highway engineers say water and weather and chemicals are the leading causes of highway deterioration and that a properly constructed, properly drained highway will withstand truck weights without deteriorating. . . . So to single out the combination trucks as the major cause of highway deterioration is unreasonable, unjust and unacceptable."

Turning back to the heavy-truck user-tax adopted by Congress in the Surface Transportation Assistance Act of 1982, Mr. Few asserted that it "socks to the low-mileage truck in equal measure as it does to a vehicle that runs many more miles.

"A diesel-differential formula would give us a pay-as-you-use-the-road tax. That makes a lot more sense. Legislation to accomplish this needed—and sensible—relief soon will be receiving consideration in Congress. I hope it will also receive your consideration and support."

Minneapolis Star/Tribune, March 28, 1983

Half of corn, wheat fields idle under PIK

By Lee Egerstrom
Agribusiness Writer

The largest cutback in agricultural production in the country's history will affect Minnesota even more than the nation.

Nearly half of Minnesota's corn and wheat land will lie fallow this year, the U.S. Agriculture Department reported Tuesday. In all, more than 5 million acres of Minnesota farm land will be left dormant or sown with soil-protecting grasses this year instead of corn, wheat, oats and barley.

Nationwide, farmers signed up for government programs requiring them to idle 82.3 million acres of the 230 million acres of farm land normally planted with wheat, feed grains, cotton and rice.

Stunned government officials reported the Agriculture Department had hoped to idle about 30 million acres during the 1983 growing season to reduce mounting government stockpiles of grain and cotton. But farm participation in the federal acreage reduction and payment-in-kind (PIK) programs nearly tripled the government's expectations.

Farmers needed to reduce plantings by 20 percent to participate in the acreage reduction program, which qualifies them for government price-support benefits. The PIK program allows them to idle additional land and be paid with surplus grain.

At a press conference in St. Paul, state program director Don Friedrich of the U.S. Agricultural Stabilization and Conservation Service declared PIK "an overwhelming success."

The grain trade was taken by surprise also. "Nobody expected anything like this," said Bill Thoreson, commodity market specialist for the Minnesota Wheat Growers Association and Minnesota Wheat Council.

The purpose behind the acreage reduction and PIK program is to reduce huge government stocks of surplus grain that are depressing farm prices. Thoreson estimated that it may take 500 million bushels of wheat to repay farmers for acreage idled under the PIK program.

Less information was immediately available about corn because the government lumped corn and sorghum together in its feed grain statistics. Since sorghum is an inconsequential crop in Minnesota, however, the statistics show nearly 3.2 million acres of corn ground will be taken out of production this year.

In addition, Minnesota farmers have informed the government they will idle more than 1.7 million acres of land normally planted with wheat, and they will take out of production nearly 255,000 acres usually planted with oats and barley.

Barley and oats, smaller crops dominated by Minnesota and neighboring state farmers, don't qualify for PIK program benefits this year. But to qualify for federal loan programs and supported prices, farmers agreed to idle 2.3 million acres of the 19.1 million acres normally devoted to those crops.

Beyond the obvious fact that a lot less grain will be grown this year, most government and grain market observers were hesitant to predict what the program will mean to farm prices and consumer food costs.

Wheat economist Thoreson said he expects "a short-term psychology" that will strengthen prices over the next several days. But all the grain coming out of government storage later as PIK payments could make grain prices "look like a 'fire sale' by summer or fall."

The impact of such sharply reduced plantings will definitely be felt by farm service industries, said Rich Hames, spokesman for CENEX, the regional farm supply cooperative in Inver Grove Heights.

"The numbers (of reduced acres) are greater than our surveys indicated," he said.

But state ASCS director Friedrich predicted that the PIK program will pump from $750 million to $800 million into the Minnesota economy, assuming a $2.50 a bushel average corn price this year.

"This is probably as good a program as the federal government has had," he said.

Journal of Commerce - Editorial, April 7, 1983

PIK Is No Solution

THE ENTHUSIASM WITH which the nation's farmers responded to this year's payment-in-kind program designed to cut surplus crop production has caught even the government by surprise. Participation in the government's acreage reduction programs, which also include the regular reduced acreage and paid land diversion programs, will idle 81 percent of the 230 million acres normally planted.

The PIK program has attracted participation by 86 percent of the wheat growers, 78 percent of the corn and sorghum growers, 95 percent of the cotton growers and 96 percent of the rice growers.

The program allows farmers to idle an extra 10 to 30 percent of their program base above and beyond the reduced acreage and paid land diversion programs. In return, the farmer receives government-owned corn, wheat and other produce according to a specified replacement ratio which is a percentage of the program yield.

The PIK grain comes from the Commodity Credit Corp.'s owned stocks, as well as from forfeited reserve and regular loans. Farmers signing up for the program will take back any eligible grain they have under regular loan or reserve as their PIK grain and the loan is forgiven.

It is estimated by grain analysts, for example, that the Agriculture Department will require 500 million to 550 million bushels of wheat to meet PIK obligations. CCC stocks have been severely depleted as a result of the wheat flour sale to Egypt so that the government owns virtually no wheat for PIK. It will have to acquire it by various means.

THE PIK PROGRAM will certainly provide some temporary relief for farmers, who are currently suffering from oversupply, low prices and far from satisfactory export prospects.

These are being hampered by an abundant worldwide supply of grain, protectionist measures by other countries, the unwelcome results of the U.S. government's own policies — particularly as they relate to the Soviet Union — and the overvalued dollar.

But what will be the cost of this relief? The Agriculture Department has been reluctant to come to grips with this question, at least in public.

It can argue, not very convincingly, that the cost is zero and that, indeed, to the extent that it is getting rid of stocks it is saving the cost of storage.

However, the stocks, for which the CCC has already paid, are carried on the CCC's books as an asset, an asset that it is giving away. The CCC, at some point, will have to go back to Congress to get these assets replenished.

From a budgetary point of view, the cost could be fairly substantial. A rough ball-park figure, offered by one analyst, is in the $10 billion to $11 billion range if the costs of the other acreage reduction programs are included.

Things might have been done differently and more cheaply. The encouragement of unlimited entry of grain into farmer reserves last year induced producers to put grain into stocks, increased CCC outlays, held prices up and, most unfortunately, discouraged exports and domestic use for feed.

The discouragement of exports is obviously not in this country's long-term interest. By pushing up prices, the government is creating an environment that will greatly favor our competitors when worldwide demand picks up.

The government has by no means solved the surplus problem. It is a fair assumption that other countries will increase their production to offset reduced acreage here. The surplus is still very much with us. The PIK program assures that dealing with it in the short and longer run will prove fairly costly.

Milwaukee Sentinel, April 6, 1983

Let big trucks use roads, state told

By Sentinel staff writers and wire services

The federal government Tuesday ordered Wisconsin to allow twin-trailer trucks on 4,170 miles of non-Interstate highways, nearly five times as much as the state wanted.

Lowell B. Jackson, state transportation secretary, said he did not view the federal order "with great alarm" but that twin-trailer trucks would be legal for the first time on several two-lane roads.

The Wisconsin Highway Patrol said twin-trailer trucks — also called double-bottom trucks — currently are allowed only on Interstates in the state, plus other roads when going to and from their terminals.

The order by the Federal Highway Administration, in the form of a regulatory action authorized by the law imposing last week's nickel-a-gallon gasoline tax increase, becomes effective Wednesday. But federal officials urged tolerance in any enforcement action for the time being.

The law stipulates that, with only a few exceptions, the larger trucks must have access to the 42,268 miles of the national Interstate system. But it left it to the highway agency to designate the other roads built with federal money on which the trucks could run.

Wisconsin had proposed to the agency that the longer trucks be allowed on 837 miles of non-Interstate highways. But the agency ruled they must be allowed on 4,170 miles of roads.

Nationally, the states submitted proposals to let the larger trucks use a total of about 100,000 miles of non-Interstate highways. But the highway agency said it was adding another 38,968 miles.

Besides a provision that required states to allow twin trailers, the gasoline tax law also allowed 80,000-pound trucks in Arkansas, Missouri and Illinois, which imposed lower weight limits. It also widened the maximum width of trucks from 96 to 102 inches. There are few 102-inch-wide trucks in existence, officials have said.

Those concessions to the trucking industry were made to help balance steep fee increases on trucks.

Jackson predicted Wisconsin highways that would receive increased truck traffic because of the changes would include Highway 29 between Eau Claire and Green Bay, Highway 10, Highway 45 in the eastern part of the state, and Highway 41 between Green Bay and Menomonie.

Twin-trailer trucks were banned in Wisconsin until the US Supreme Court in 1978 ruled the ban was unconstitutional because it impeded interstate commerce.

Jackson said the issue of where large trucks can go in Wisconsin has been a "touchy political" one for some time. In March 1979, Jackson suggested opening additional Wisconsin highways to double-bottom trucks "as a matter of transportation efficiency," but state legislators did not approve his plan.

Ray Barnhardt, chief of the highway administration, said his agency significantly raised the mileage totals in several states that "submitted unrealistically lean designations which included unconnected and fragmented highway segments."

For example, Alabama offered 2 miles, but was told to open 2,155.

The additional roads where the federal government is allowing the larger trucks are what highway officials call "primary" routes built with federal aid, whether carrying "US" route designations or not. They cover about 54% of those "primary" routes — 61% if Interstate mileage is included — and 4.7% of the country's total highway mileage.

Allan Wilbur, a spokesman for the American Automobile Association, said his group continued to believe "there is a significant safety problem" raised by the larger rigs.

Transportation Department officials said the routes opened to the larger trucks were selected with safety in mind.

"I don't see any degree of widespread, mammoth safety problems because of this," Lester Lamm, deputy federal highway administrator, told reporters in Washington, D.C.

Officials also said consumers will save money because the big trucks can carry goods more economically.

Journal of Commerce, March 28, 1983

US Grain Sales to Soviets May Slump by 40% This Year

By ALBERT AXEBANK
Journal of Commerce Special

MOSCOW — U.S. grain sales to the Soviet Union this year may decline by as much as 40 percent from last year.

This prediction, by a number of U.S. and foreign experts, comes in the face of official U.S.-U.S.S.R. optimism on the possibility of future expansion of American grain exports to Moscow. The optimism was expressed in high-level Soviet-American grain talks here March 23-25.

Alan T. Tracy, U.S. acting undersecretary of agriculture, held "regular consultations" in Moscow with Soviet officials led by U.S.S.R. Deputy Minister of Foreign Trade Boris Gordeev.

Mr. Tracy said the Soviets confirmed that so far they have purchased 3 million metric tons of U.S. wheat and the same amount of U.S. corn for shipment to the U.S.S.R. to be completed in April this year.

Some U.S. sources predict that America might be able to sell only another 2 million metric tons of grain to the Soviets this year. If so, the total would be approximately 40 percent below the amount exported to the U.S.S.R. last year.

Argentina and Canada, say grain experts, have currently managed to occupy more favored positions than the United States as grain suppliers to Moscow.

These U.S. competitors, said the sources, have long-term grain agreements with the Soviets. The sources said that following the Carter grain embargo, one so-called after-effect is the absence of a long-term grain agreement between the United States and the Soviet Union.

Mr. Tracy, in reply to a question by this newspaper, said a long-term grain agreement with Moscow "would be mutually beneficial." He said President Reagan had asserted that the U.S. granary doors are open. He said the president had also signed what he termed contract-sanctity legislation.

Mr. Tracy told reporters at the U.S. commercial office here that the former U.S. grain embargo "had done long-term damage to our trade."

But the Agriculture Department official pointed out that the United States was still the world's largest grain exporter and that the U.S.S.R. was the largest grain importer.

He noted that the United States had the best availability of grain and best ability to deliver it on time.

The Soviets reportedly imported 46 million metric tons of grain last year. This year the Soviets were expected to reduce imports, possibly by as much as 12 million metric tons, according to some Western sources.

A written statement by Mr. Tracy said:

"Prospects for our own trade with the Soviet Union during the current October-September (agricultural) year are not as good as last year, at least partly because of the abundant foreign wheat available, and their lower total imports."

Nevertbeless, added the statement: "It was indicated that there remains room for some additional purchases from the U.S. during the period ahead. For example, there could be additional need for U.S. coarse grains, as availability from non-American sources is relatively limited this year."

In addition, the statement said the emerging prospects for the 1983 Soviet crop "is likely to affect purchases for the May-September period."

Mr. Tracy said his talks with his Soviet counterparts dealt extensively with the potential for future expansion of trade.

He said that "since Soviet meat production and total U.S. grain exports have been essentially stagnant for the past four or five years, it was recognized that there could be mutual advantage in future growth in grain trade between the United States and the U.S.S.R."

The Soviet Union, said Mr. Tracy, raised the problem of the "dependability of supply" with the Americans.

For its part, the U.S. side raised concerns about the reliability of markets and cited current steps to reduce production in the United States, steps that "are already having the effect of raising world prices," the U.S. official said.

Under terms of the expired five-year U.S.-U.S.S.R. grain supply agreement, which began in October 1976, the Soviet Union buys at least 6 million metric tons of U.S. grain (3 million of wheat and 3 million of corn) annually. This agreement has been extended twice for one-year.

Mr. Tracy said the Soviets were "very hospitable" to his delegation. He said both sides stressed the need for continuing to work closely in the months ahead, and to meet further, as necessary.

Wall Street Journal
March 31, 1983

Canadian Rail Freight Declines

OTTAWA—Canadian rail freight volume declined to 3,908,483 metric tons in the week ended March 21, off 10.8% from a year earlier, Statistics Canada, a federal agency, said. A metric ton is 2,204.6 pounds.

Rail Decontrol Forces Shipper Agents To Adapt to Changing Marketplace

By RIPLEY WATSON 3rd
Journal of Commerce Staff

CLARENDON HILLS, Ill. — Phillip C. Yeager, president of one of the nation's largest shipper agent concerns, doesn't seem to think that the name quite describes the job anymore even though there still is plenty for people in his business to do.

Mr. Yeager, who heads Hub City Terminals Inc. and is president of the National Association of Shipper Agents, said he believes that as a result of deregulation the shipper agent is much more the agent of the railroad.

It isn't that people in the field no longer represent shippers, he said, but rather that deregulation has given the railroads pricing freedom that shipper agents can use to benefit customers.

"We are the sales and service arm of the railroads in many cases," Mr. Yeager said, but he added, "We don't control the railroad. It controls us."

That question has become central today as railroads have chosen different paths in marketing the intermodal services that shipper agents sell.

Conrail and the Atchison, Topeka and Santa Fe Railway have chosen to wholesale their services, giving shipper agents the latitude to consolidate freight and represent the interests of those making intermodal shipments to try to ensure on-time, trouble-free movements.

However, some railroads, notably those controlled by CSX Inc., have professed that they want to use a retail approach that threatens the shipper agent.

Mr. Yeager contends that the CSX approach that is being used most by Chessie System Railroads is failing because even though that firm has made more intermodal shipments with its trucking subsidiary, its overall number of intermodal shipments declined last year.

"They're feeding on themselves," Mr. Yeager charged.

A spokesman for the Chessie System Railroads said the line wasn't trying to cut out wholesalers. The spokesman said Chessie feels shipper agents have a definite place working with smaller shippers.

The spokesman said the line's CMX trucking subsidiary was formed in response to needs expressed by the railroad's large shippers. "They have said they want to deal directly with us," the spokesman said.

While admitting that some shipper agents will charge "whatever the traffic will bear," Mr. Yeager said he thought those persons were in the minority.

He contended that Hub City's gross fees were only 4 percent of its $135 million in revenues during 1982 when 175,000 trailers were moved.

He also contended that CSX's $676 rate for movements from Chicago to the New York area couldn't possibly be profitable since Hub City charges $846 and makes a fee of less than $50.

He predicted that CSX will come back to using shipper agents before long.

The Hub City chief said he felt the moves by CSX were designed to "stick" Conrail and were something new that the firm needed to become more active in the marketplace.

Mr. Yeager noted other trends toward contracts and leasing with railroads suggest that "the shippers' agent is getting away from the old concept."

Those contracts with railroads, he noted, should lead to lower costs and attraction of new business.

The shipper agents began to emerge in the 1960s and 1970s, Mr. Yeager explained, noting that their experience with railroads before entering the agents field gave them the capacity to get trailers and service that others could not.

For example, Mr. Yeager said, he used his rail background gained with the Pennsylvania and Penn Central Railroads to help shippers work out their problems with that ill-fated carrier.

Although the role has changed, the shipper agents still are trying to sell door-to-door service by arranging both rail haul and local truck pickup and delivery service.

Mr. Yeager contended that deregulation was the main force behind the growth in the number of shipper agents from 200 to 600 in the past three years.

At some point, though, he predicted a shakeout as some smaller agents are unable to compete with larger ones who could generate greater volume.

"There is intense competition within the industry between agents," he said. "It's a very tough field out there.

"I don't honestly see larger agents overwhelming all smaller agents," he said, adding that he felt the smaller agent was a more personal sales force.

Another threat Mr. Yeager saw on the horizon was the wider usage of 48-foot trailers, two of which cannot be accommodated on existing piggyback flatcars.

He noted that the last time truck lengths were extended, slow competitive response by the Trailer Train Co., which builds piggyback flats, almost wrecked the intermodal industry because new units were not ready when larger trucks were.

A prototype of equipment to accommodate two 48-footers is in the works, but no such units are in service now. A number of trucking firms have the 48-foot trailers on order.

Mr. Yeager said he saw no immediate effect of recently approved boxcar deregulation on shipper agents unless the prices for shipments in those cars suddenly became competitive.

Boxcar freight rates and service have been criticized by industry observers in the past as too high and too slow, respectively, accelerating the move to intermodal facilitles.

Mr. Yeager said he also saw continued presence in commerce for shipper agents as railroads continue their practice of turning to shipper agents to balance traffic patterns.

Journal of Commerce
April 5, 1983

Correction

Due to a computer malfunction, a phrase was dropped from an article about shippers' agents in the April 1 Journal of Commerce. The sentence should have read: However, some railroads, notably those controlled by CSX Inc., have professed that they want to use a retail approach that Mr. Yeager feels threatens the shippers agent. This newspaper regrets the error.

Minneapolis Star/Tribune
March 31, 1983

Retired railroad employee calls BN 'corporate terrorist'

Associated Press

Livingston, Mont.
The Burlington Northern Railroad is a "corporate terrorist" that is milking a captive clientele to benefit its holding company, two congressman were told during hearings Tuesday in North Dakota and Montana.

Reps. Pat Williams, D-Mont., and Byron Dorgan, D-N.D., called the meetings to hear testimony on branch line abandonments, railroad layoffs, holding company behavior and railroad energy development. They are gathering information for three House committees, Interior, Energy and Commerce, and Agriculture.

About 30 people attended a hearing in Bismarck, N.D., and about 200 turned out in Livingston.

Williams concurred with complaints about the BN holding company, saying he objected to the closing of depots and the laying off of employees "only to see the BN holding company take $600 million to buy a natural gas company down in Texas."

(Earlier this year Burlington Northern acquired a controlling interest in Houston-based El Paso Co. for $602 million.)

Many in the Livingston audience were laid-off BN employees. Jim Murry, executive director of the Montana AFL-CIO, said BN has laid off 1,400 workers in that state in recent years at an annual cost to the state of at least $23 million.

Retired railroad man Warren McGee called BN a "corporate terrorist" and said railroad officials have threatened the loss of more jobs unless local officials change their attitude toward BN.

BN Vice President Allan Boyce defended the railroad's pricing practices and its holding company and said the company is committed to improving the railroad. "The formation of the holding company does not and will not mean a downgrading in the importance and financial resources of the railroad," Boyce said.

He said BN formed a holding company to separate the resource and railroad divisions to "give all of our businesses a chance to develop to their fullest potential."

The congressmen and others said the mineral wealth BN received in 19th century land grants should continue to support the railroad. Dorgan of North Dakota told Boyce that BN should have to keep branch lines open or give up the land grants.

BN is one of several major railroads that have come under public scrutiny since 1980, when the Staggers Rail Act deregulated the industry. Transportation analysts agree that deregulation has forever changed the way railroads operate. And in the short term those changes are felt most acutely in small towns where freight volume is too low, in many cases, for the railroads to justify continued operations.